

Revised 2018.07. 09

Monthly Review and Verification: Fixed Asset Management

The purpose of this guide is to present critical review steps that agencies must establish as a monthly practice. If you need additional assistance, please contact your GAO liaison or refer to the Asset Management Training Guide.¹

For purposes of this guide, all long-lived resources, including capital assets, IT resources, infrastructure assets and stewardship resources (as defined in SAAM 2505) are referred to as “fixed assets”.

Objectives of Review Process

- Fixed asset acquisitions are complete and accurate
- Fixed asset disposals are no longer reported on the balance sheet
- Depreciation is occurring as expected
- Fixed asset activity is independently reviewed

FIXED ASSET ACQUISITIONS

Background: Unless a specific exception exists, all agencies must record fixed assets in the AFIS Fixed Asset Module (FAM) within 10 business days of acquisition date (SAAM 2505-2.1). When a fixed asset is acquired, no matter the payment method used, it is not automatically recorded in FAM. A fixed asset is recorded in FAM in one of two ways:

- **Fixed Asset Shell (FAS) document in AFIS** – This electronic document is automatically generated by AFIS after a payment is made for a fixed asset acquired through ProcureAZ. It is referred to as a “shell” because the document is incomplete and remains in draft status until the rest of the required fields are input manually and the document is finalized.

¹ Training Guide: https://gao.az.gov/sites/default/files/AFISAM_AFIS_Asset_Management_PG_v4_2.pdf

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- **Fixed Asset Acquisition (FA) document in AFIS** – This electronic document is used to manually record a fixed asset not acquired through ProcureAZ (e.g., donated, transferred, P-Card purchase, GAX payment, or incorrect FAS (shell) amount from ProcureAZ).

Review Fixed Asset Shells

- A. The objective of reviewing shells is to identify fixed assets that need to be recorded in FAM.
 1. Run the Infoadvantage report FIN-AZ-AM-N332 (Pending Fixed Asset Shell Transactions by Department). This report displays shells generated as a result of fixed assets acquired through ProcureAZ that have not been finalized in AFIS.
 2. If no shells appear on the report, then this section requires no further review.
 3. If a shell appears on this report, review the pending FAS document to determine if it is an actual fixed asset and needs to be recorded in FAM. If it is, complete and finalize the FAS document. If it's not, remove (unpend) the FAS document. See "Acquiring a New Fixed Asset²" and "Fixed Asset Shell (FAS) Processing³" Quick Reference Guides for details.
 - a. After completing these steps for each shell, shells should no longer appear on the report.

Tips –

- A shell over \$5,000 might be a capital asset, which should be finalized as a fixed asset.
- A shell under \$5,000 might be a stewardship asset (as defined by SAAM 2535), which should be finalized as memo asset.
- If a shell is not for a capital asset or stewardship asset, then it needs to be removed (unpending). To remove (unpend) a transaction, open the appropriate fixed asset document and change the event type to FA14 and submit document. After the FAS is approved, the shell will be unpended.

² QRG "Acquiring a New Fixed Asset": <https://gao.az.gov/sites/default/files/Aquire%20New%20FA-Final.pdf>

³ QRG "Fixed Asset Shell (FAS) Processing"
<https://gao.az.gov/sites/default/files/Fixed%20Asset%20Shell%20%28FAS%29%20Processing.pdf>

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- If a shell is for a fixed asset but cannot be utilized for any reason, it must be removed (unpending) and a FA document must be used to add the fixed asset into FAM.
- As an alternative to running the Infoadvantage report FIN-AZ-AM-N332, agencies can use the document catalog in AFIS and search by Document Code = FAS, Department, and Document State Phase = draft or pending for all outstanding shells.

Reconcile Acquisitions

- B. The objective of this reconciliation is to ensure that expenditures for fixed asset acquisitions in AFIS are also recorded as fixed assets in FAM.
1. Run the Infoadvantage report FIN-AZ-AM-N542 (Asset Expenditures by Period). This report displays cash expenditures for Object Classes 8100, 8400, and 8500 that were paid in AFIS.
 - a) Object Classes 8100 and 8400 should contain capital purchases. Object Class 8500 contains non-capital equipment purchases that may include stewardship resources, which are required to be recorded in FAM as memo assets (SAAM 2535).
 2. Run the Infoadvantage report FIN-AZ-AM-N599 (Fixed Asset Acquisitions). This report displays each asset by type, acquisition date, cost and other detailed information that was entered into FAM.
 3. Reconcile the total asset expenditures on the FIN-AZ-AM-N542 to the total fixed assets shown on the FIN-AZ-AM-N599.
 - a) If the totals do not match, document an explanation for the difference.

Tips –

- A difference between the two reports could be the result of one or more of the following:
 - Fixed asset expenditures on the FIN-AZ-AM-N542 might need to be added to FAM in order to appear on the FIN-AZ-AM-N599. Fixed assets added must be processed through the nightly cycle before they will show up on the reports.
 - Freight or other related costs may have been excluded in the fixed asset purchase price, but it is required to be included by SAAM 2520.

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- A fixed asset in FAM won't appear on FIN-AZ-AM-N542 if the asset expenditure was recorded to an object code other than 8100, 8400, or 8500.
 - Fixed assets recorded in FAM during the current accounting period may have been paid for in another accounting period, creating a timing difference between FIN-AZ-AM-542 and FIN-AZ-AM-N599. Note that fixed assets appear on the FIN-AZ-AM-542 based on payment date whereas fixed asset additions appear on the FIN-AZ-AM-N599 based on the "In Service Date" entered in the FA or FAS document.
 - "ME" document postings for depreciation expense might appear on the FIN-AZ-AM-N542 if any fixed assets were assigned a Department Object when the FA, FAS, or FI document was finalized. To review true acquisition, in the FIN-AZ-AM-N542 report Input Controls, remove Closing Classification 40 to remove depreciation expenses from the view.
 - A donated fixed asset on FAM will not appear on FIN-AZ-AM-N542 because a fixed asset received by donation is not recorded as an expenditure.
 - A fixed asset shell in pending status will not be displayed as a fixed asset on FIN-AZ-AM-N599.
- If the agency has supplemental internal records of fixed assets, these could be used as another source for research.

FIXED ASSET DISPOSALS

Background: Except as otherwise provided by law, the ADOA Surplus Property Management Office (SPMO) is responsible for the physical disposal of all fixed assets⁴. Agencies are to use Form SP101 to report disposals to SPMO. Once the agency receives an approved SP101 from SPMO, the agency should record the fixed asset as disposed within ten business days (SAAM

⁴ State Surplus Property Reference Manual: <https://doa.az.gov/state-surplus-property-reference-manual>

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2561). A fixed asset disposal is recorded by completing a Fixed Asset Disposal (FD) document in AFIS.

Review Disposals

- C. The objective of this section is to ensure that all fixed assets disposed during the month have been removed from FAM.
 - 1. Run and review the Infoadvantage report FIN-AZ-AM-N602 (Fixed Asset Disposals). This report displays fixed assets that were removed from FAM during the month.
 - a) If there were assets disposed during the month that are not reflected on the report, then a FD document must be processed and finalized in AFIS.

FIXED ASSET DEPRECIATION (QUARTERLY)

Background: Tangible fixed asset acquisitions that exceed the capitalization threshold of \$5,000 are depreciated over their projected useful lives (except as otherwise prescribed by policy). The useful life for each asset type is described in SAAM 2590. The GAO runs a process in AFIS that calculates and posts depreciation expense quarterly and during the annual close each year.

Review Depreciation

- D. One objective of reviewing depreciation is to ensure that depreciation is occurring as expected. If fixed assets are not fully depreciated, then depreciation should be occurring. If fixed assets are fully depreciated, then they should not be depreciating. All depreciation expense should be posted to Object Code 7912.
 - 1. Run and review the Infoadvantage report FIN-AZ-AM-N603 (Fixed Asset Accumulated Depreciation). This report provides active capital assets and their associated depreciation by fiscal quarter. The report lists applicable asset detail such as: asset number, in service date, useful life, acquisition cost, salvage value, and net book values so the agency can validate the depreciation.
 - 2. If a fixed asset is not fully depreciated, then depreciation expense should be reported (fiscal quarter column should not be zero).
 - Tip – An asset is not fully depreciated if “Total Acc Depr” + “Salvage Value” is less than “Acquisition Cost”.
 - 3. If a fixed asset is fully depreciated, then depreciation expense should not be reported (“fiscal quarter column” should be zero).

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- Tip – An asset is fully depreciated if “Total Acc Depr” + “Salvage Value” = “Acquisition Cost”.
- E. Another objective of reviewing depreciation is to ensure that the depreciation expense is posted to object code 7912 within the general ledger.

Note: AFIS does not currently account for depreciation correctly if a disposal occurs on an asset that is not fully depreciated. Before running the following steps, try exclude positive amounts in sheets for the quarter under review to remove disposed assets.

1. Run the Infoadvantage report FIN-AZ-GL-N188 (Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund) for the quarter under review (e.g. AP9 is for quarter 3). This report displays a summary of balances and changes to the general ledger.

In the report prompts, select:

- a) Object Code “7912”
- b) Closing Classification of “40 – Non Cash Expenditures”.

Once the report is run, select the “Summary by Account” tab. This will display the total quarter’s depreciation expense in the “Debit Activity” column.

2. Compare the quarter total on FIN-AZ-AM-N603 to the total “Debit Activity” for depreciation expense on FIN-AZ-GL-N188. If it doesn’t match, it could mean that the depreciation expense for one or more assets may have been inadvertently posted to other object codes.

Tips –

- A pending or draft fixed asset document must be finalized before depreciation will be recorded.
- The “DEPH” (Depreciation History) table in AFIS is useful for researching prior depreciation amounts.
- **A FA, FAS, or FI document finalized with a “Department Object” will cause depreciation expense to post to an incorrect object code.**
- If a fixed asset is added to or modified in FAM with a prior period acquisition date, prior unrecorded depreciation will be calculated and recognized in the current period.

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INDEPENDENT REVIEW OF FIXED ASSETS

Background: Management must assure that all additions, modifications and deletions to fixed assets are reviewed monthly by someone without access to modify FAM (SAAM 0510-2.14).

Independent Review

- F. The objective of an independent review is to ensure that fixed asset transactions are reviewed by a person who cannot alter fixed asset records in FAM. This review should be performed by a person who is independent from, but knowledgeable of, the agency's fixed asset purchases and disposals.
1. Run the Infoadvantage report FIN-AZ-AM-N608 (Fixed Asset Activity Report for Monthly Financial Review) and select the fiscal year and accounting period for the month under review. This report displays all fixed asset transactions recorded for the month.
 2. Review the acquisition and disposals at a high level for reasonableness.
 3. Acknowledge completion of the review process by initial or signature.

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Further Reference

Quick Reference Guides and Training (GAO Website)

For general training on Asset Management, including Program Asset Generation, see the Training Guide⁵.

InfoAdvantage Reports for Asset Management

The following reports are available statewide in InfoAdvantage for Asset Management.

Report ID	Name
FIN-AZ-AM-N608	Fixed Asset Activity Report for Monthly Financial Review
FIN-AZ-AM-N602	Fixed Asset Disposals
FIN-AZ-AM-C053a	Fixed Asset Transfers by Fiscal Year
FIN-AZ-AM-C056	Assets with Multiple Components by Department
FIN-AZ-AM-C062	Age of Assets
FIN-AZ-AM-N067	Fixed Assets by CFDA number
*FIN-AZ-AM-N332	Pending Fixed Asset Shell Transactions by Department
FIN-AZ-AM-N341	Disposed Assets by Acquisition Fund
*FIN-AZ-AM-N603	Fixed Asset Accumulated Depreciation by Fund
FIN-AZ-AM-N358	Fixed Asset by Location and Sub-Location
FIN-AZ-AM-N385	Fixed Assets by Type – Detail
FIN-AZ-AM-N538	Fixed Assets by Type - Fund 1300
FIN-AZ-AM-N542	Asset Expenditures by Period
FIN-AZ-AM-N593	Fixed Assets by Type - Detail
FIN-AZ-AM-N599	Fixed Asset Acquisitions Report
FIN-FA-0003	Fixed Asset Transaction Detail
FIN-FA-0004	Fixed Asset Replacement Forecast
FIN-FA-0005	Statement of Fixed Assets by Department and Unit

*These reports can be generated on demand based on the current status. GAO is currently publishing these reports on a monthly or daily basis (report specific) to provide a snapshot point in time for agencies. Please see your agency's published reports in InfoAdvantage to refer to these versions.

⁵ Training Guide: https://gao.az.gov/sites/default/files/AFISAM_AFIS_Asset_Management_PG_v4_2.pdf